

VZCZCXRO4712
OO RUEHCHI RUEHDT RUEHHM RUEHNH
DE RUEHKL #0821/01 2611201
ZNY CCCCC ZZH
O 171201Z SEP 08
FM AMEMBASSY KUALA LUMPUR
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1668
INFO RUCNASE/ASEAN MEMBER COLLECTIVE PRIORITY
RUEHAK/AMEMBASSY ANKARA PRIORITY 0136
RUEHBJ/AMEMBASSY BEIJING PRIORITY 2505
RUEHBY/AMEMBASSY CANBERRA PRIORITY 2622
RUEHLO/AMEMBASSY LONDON PRIORITY 0471
RHEHNSC/NSC WASHDC PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RHHMUNA/CDR USPACOM HONOLULU HI PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 KUALA LUMPUR 000821

SIPDIS

FOR EAP, EAP/MTS AND INR

E.O. 12958: DECL: 09/17/2028

TAGS: [PGOV](#) [PREL](#) [PINR](#) [MARR](#) [KDEM](#) [MY](#)

SUBJECT: PM ABDULLAH TAKES OVER DEFENSE PORTFOLIO AHEAD OF
RUMORED PARTY SHOWDOWN

REF: A. KUALA LUMPUR 815 - SEPT 16 ANTI-CLIMAX

[1](#)B. KUALA LUMPUR 810 - UPROAR OVER ISA

Classified By: Political Section Chief Mark D. Clark, reason 1.4 (b and
d)

Summary and Comment

[1](#)1. (C) Prime Minister Abdullah Badawi took over the Defense Minister portfolio from his deputy Najib Tun Razak with immediate effect on September 17, one day ahead of a rumored showdown within Abdullah's ruling United Malays National Organization (UMNO) party. In return, Najib assumed the Finance Minister I portfolio from PM Abdullah. Abdullah and Najib also reaffirmed their commitment to Abdullah's plan to hand over power to Najib in 2010, a key element to Abdullah's effort to gain reelection as UMNO president in December. These developments took place as multiple sources indicated that other UMNO leaders with some backing by former PM Mahathir could try to use the September 18 UMNO Supreme Council meeting to attack Abdullah's transition plan in an effort to force Abdullah out. Abdullah's remarks that Opposition leader Anwar Ibrahim is "a threat to the economy and probably security" heightened concerns among the Opposition that the Prime Minister could use the Internal Security Act against Anwar. September 18 witnessed the defection of a small Sabah party from the governing National Front (BN) coalition, a development symbolically important to the Opposition.

[1](#)2. (C) Comment: In the context of UMNO's ongoing leadership struggle, the Defense portfolio is more critical than Finance. Abdullah's sudden takeover of the Defense Ministry puts one important center of power under the Prime Minister's supervision. The timing appears tied to positioning ahead of tomorrow's crucial UMNO meeting and could be a reaction to reports that Najib and UMNO leaders would move against Abdullah. Abdullah's Cabinet swap also undermines Najib's strong base, and patronage network with the armed forces, including military intelligence, built up through his nine years as Defense Minister. As the UMNO struggle intensifies, Anwar Ibrahim waits in the wings and will attempt to seek advantage from splits in the ruling party, or possible defections of prominent UMNO leaders who lose the fight. Abdullah's reference to Anwar as a "threat" represents ominous talk, given the ISA arrests on September 12. We include suggestions for "if asked" press guidance on the questions of ISA and the Cabinet changes at the end of this message. End Summary and Comment.

Surprise Cabinet Swap

¶3. (U) Following a September 17 Cabinet meeting, Prime Minister Abdullah joined by Deputy Prime Minister Najib held a press conference to announce a swap in cabinet portfolios between the two leaders, with Abdullah taking over Najib's role as Defense Minister and Najib assuming the duties of Finance Minister I from Abdullah. Abdullah noted the importance of the Finance Ministry and described the swap as a way for Najib to gain further experience in preparation for becoming the next Prime Minister. At the press conference, Najib said, "I thank Abdullah for the confidence he has shown in appointing me as Finance Minister...the decision is magnanimous and it shows his sincerity in picking me as his successor."

Reaffirming Abdullah's Transition Plan

¶4. (SBU) Abdullah used the press conference to reaffirm the two leaders' commitment to the transition plan in which Abdullah would step down in favor of Najib by June 2010, a plan that has come under renewed attack within UMNO. "I stress that Najib and I are committed to the plan that we have agreed to." (Comment: In the face of earlier calls for his resignation in favor of Najib, Abdullah brokered the transition plan as a means to gain reelection in UMNO's December party polls. End Comment.) Abdullah added that, "The transition is flexible. It is up to me. It (the handover) will be no later than 2010, but it may be sooner."

KUALA LUMP 00000821 002 OF 003

In line with Abdullah's reinforcement of the transition plan, Najib stated that he would not accept any nomination's for the UMNO presidency as he, too, was committed to the succession plan.

Anwar a Threat to Economy, Security

¶5. (C) During the news conference PM Abdullah took a question related to the challenge posed by Opposition leader Anwar Ibrahim, who has vowed to gain majority support in Parliament and thereby topple Abdullah's government. Abdullah reportedly replied that Anwar's actions have had negative consequences for Malaysia's economy by shaking investor confidence. The Prime Minister added that, "I see (Anwar) is a threat to the economy and probably security." News of these remarks caused an immediate stir among Opposition members and supporters, who in communication with Poloffs interpreted this as a possible justification for invoking the Internal Security Act (ISA) to detain Anwar and other opposition leaders. (Note: The ISA's broad provisions allow for detention of individuals who threaten the country's security or economic life. End Note.)

Maneuvering Ahead of Crucial UMNO Meeting

¶6. (C) Abdullah's announcement of the Cabinet change occurred one day before a crucial meeting of the UMNO Supreme Council, which will take up the issue of the Prime Minister's transition plan. Multiple embassy sources, from both UMNO and the Opposition, have told us that opponents to Abdullah intend to use the meeting to challenge the Prime Minister's intention to stay in power, either indirectly by questioning the transition plan, or directly. The opponents include UMNO veteran leader Tengku Razaleigh Hamzah (who is not in the Supreme Council), UMNO VP Muhyiddin Yassin, and possibly Najib himself. On September 16, Razaleigh publicly attacked Abdullah's hand-over plan as undemocratic. Tengku Razaleigh's political aide John Pang (protect) told Polchief on September 15 that Abdullah was aware of the risk and prepared to use a cabinet reshuffle to stop a challenge by either Najib or Muhyiddin.

¶7. (C) Former Prime Minister Mahathir, who is vehemently committed to bringing down Abdullah, reportedly is supporting this attack using his money and residual influence, according to Pang and other sources. Pang and, separately, an Opposition source noted that Mahathir had met Najib on September 14 or 15; Pang thought the meeting had not gone well. Pang also noted that Muhyiddin remained non-committal to Mahathir in a recent meeting together Razaleigh. Razaleigh accepted Mahathir's backing to challenge Abdullah, Pang said, but was caution of falling under the control of Mahathir, his former nemesis.

Benchmarks

¶8. (C) Comment: Abdullah needs the UMNO Supreme Council meeting to re-endorse his transition plan, ideally deciding that the plan does not require UMNO divisions' approval, or that of the party's general assembly in December, and restricting UMNO debate on the issue. This would help to lock in the Abdullah/Najib ticket as the only option. Abdullah's opponents will look for a decision that contradicts the Prime Minister's assertion that this is a done deal, stresses the need for grassroots endorsement, and refers the plan to debate among the UMNO divisions, thereby opening a door for challengers Razaleigh and Muhyiddin. A more dramatic outcome to the UMNO Supreme Council meeting would be a motion of no confidence in the Prime Minister. The window for formal UMNO actions on the leadership election is closing soon as Malaysia moves toward the major Muslim holidays on October 1-2 marking the end of the fasting month and the key UMNO divisional elections begin almost immediately thereafter on October 9. If the likes of Razaleigh and Muhyiddin fail in their attempt to open up the leadership contest, the question of whether they break with the party will be important. End Comment.

SAPP Defects from Ruling Coalition

KUALA LUMP 00000821 003 OF 003

¶9. (SBU) The Sabah Progressive Party (SAPP) withdrew from the UMNO-led BN coalition on September 17, reducing the size of BN's majority from 140 to 138 members of Parliament (MPs) over the opposition's 82. It is not known whether the two MPs will join the opposition in supporting Anwar Ibrahim to be the next Prime Minister; if so, Anwar would still need another 28 shifts to force a change in government. In a statement harshly critical of BN, SAPP President Yong Teck Lee stated that the reasons for SAPP's withdrawal is due to a combination of factors: the failure to embrace Sabahan interests; the lack of good leadership, direction, and spirit within the BN; the failure to reform the judiciary; and recent political plays that Lee called "shameful."

¶10. (SBU) It appeared to be a relatively quiet day for the Anwar camp. As of late on September 17, Anwar Ibrahim had yet to release any significant comments on the day's developments.

Suggested Press Guidance

¶11. (U) Post offers the following suggestions for "if asked" press guidance:

Q: IS THE OPPOSITION LEADER IN DANGER OF ISA DETENTION?

A: We are not aware of any Malaysian government decision to make further arrests under the Internal Security Act.

We repeatedly have made clear that the United States strongly supports the rule of law, the respect for due process, and freedom to peacefully exercise political rights as

fundamental principles of democracy.

(If pressed)

We firmly believe that national security laws, such as the ISA, should not be used to curtail or inhibit fundamental democratic liberties and the peaceful expression of political views.

Q: WHAT IS THE U.S. VIEW OF MALAYSIA'S CABINET CHANGES?

A: The cabinet changes are an internal matter for the Malaysian government.

KEITH